



Business & Industry (B&I) Guaranteed Loan Program Feasibility Study Requirements

What is a feasibility study?

A feasibility study is a report by an independent third party that analyzes a business venture's prospects for success. It impartially lays out and critiques the features of the venture's business plan, analyzing the strengths and weaknesses of the venture and assessing its overall feasibility.

When is a feasibility study required?

USDA Rural Development sometimes requires an independent feasibility study as part of a complete application. Some investors and commercial lenders may also ask for a feasibility study. Rural Development has the discretion to decide whether or not a feasibility study is needed for a B&I guaranteed loan application. Feasibility studies **may be required** if the B&I project involves:

1. A new business (e.g., a start-up company).
2. An existing business that does not have a profitable history e.g., a business with a history that shows recent losses, weak financial ratios compared to industry averages, etc.
3. An existing business that is proposing to develop an independent operation in a new location (e.g., a second retail sales outlet that will depend on a new market area for its success).
4. Business acquisitions.

Feasibility studies generally are **not required** if the B&I project involves:

1. An existing business that has already documented a historic ability to generate sufficient funds to service the proposed loan.
2. A commercial lease facility. In lieu of a feasibility study, having the applicant must provide evidence of sufficient committed tenants to assure a break-even operation. The financial strength of the tenants and the length of their lease commitment will also be taken into account.

Who should prepare the feasibility study?

The feasibility study must be prepared by an independent, qualified consultant with a recognized expertise in the type of operation being analyzed. An in-house analyst may not be used. This restriction includes any firm with a proprietary interest in the project as well as vendors or any other parties with a potential conflict of interest to a vested interest in the outcome of the study. Examples of acceptable consultants include industry association consultants, industry experts, local small business development centers, specialized CPAs, and specialty appraisers. USDA does *not* maintain a restrictive list of approved feasibility analysts.

Is a specific feasibility study format required?

USDA Rural Development does not mandate any specific form or format for the feasibility study. However, Appendix A to <http://www.rurdev.usda.gov/SupportDocuments/4279b.pdf> (see reverse) provides an outline of recommended considerations to include in the feasibility study. Particular emphasis should be given to market feasibility and management feasibility.

Business & Cooperative Program Director	Lisa Siesennop, (503) 414-3367 lisa.siesennop@or.usda.gov
B&I Coordinator	Curt Dixon, (541)923-4358 x 125 curt.dixon@or.usda.gov
Rural Business Technician	John Holman, (503)414-3369 john.holman@or.usda.gov
http://www.rurdev.usda.gov/OR_Home.html	

Appendix A to RD Instruction 4279-B

Guide for Completion of Feasibility Studies

A feasibility study by a recognized independent consultant may be required by the Agency for start-up businesses or existing businesses when the project will significantly affect the borrower's financial operations. An acceptable feasibility study should include, but not be limited to:

- (a) **Economic feasibility.** Information related to the project site; availability of trained or trainable labor; utilities; rail, air, and road service to the site; and the overall economic impact of the project.
- (b) **Market feasibility.** Information on the sales organization and management, nature and extent of market and market area, marketing plans for sale of projected output, extent of competition, and commitments from customers or brokers.
- (c) **Technical feasibility.** Technical feasibility reports shall be prepared by individuals who have previous experience in the design and analysis of similar facilities or processes proposed in the application. The technical feasibility reports shall address the suitability of the selected site for the intended use including an environmental impact analysis. The report shall be based upon verifiable data and contain sufficient information and analysis so that a determination may be made on the technical feasibility of achieving the levels of income or production that are projected in the financial statements. The report shall also identify any constraints or limitations in these financial projections and any other facility or design-related factors which might affect the success of the enterprise. The report shall also identify and estimate project operating and development costs and specify the level of accuracy of these estimates and the assumptions on which these estimates have been based. For the purpose of the technical feasibility reports, the project engineer or architect may be considered an independent party provided neither the principals of the firm nor any individual of the firm who participates in the technical feasibility report has a financial interest in the project, and provided further that no other individual or firm with the expertise necessary to make such a determination is reasonably available to perform the function.
- (d) **Financial feasibility.** An opinion on the reliability of the financial projections and the ability of the business to achieve the projected income and cash flow. An assessment of the cost accounting system, the availability of short-term credit for seasonal business, and the adequacy of raw materials and supplies.
- (e) **Management feasibility.** Evidence that continuity and adequacy of management has been evaluated and documented as being satisfactory.